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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 16, 1999

APPLICATION OF

GTE SOUTH INCORPORATED
(Southwest, Virginia)

CASE NO. PUC950009

Annual Informational Filing

FINAL ORDER

Pursuant to the Commission's Order Prescribing Notice, issued August 9, 1999, in this case, GTE South Incorporated (Southwest, Virginia) ("Southwest" or "the Company") was directed to publish and serve notice of its 1994 Annual Informational Filing ("AIF"). An opportunity to file comments on the Company's AIF and the Staff's Report thereon was also given. No person filed comments or requested a hearing.

The Modified Plan,¹ which became effective January 1, 1994, specifies the applicable return on equity range to be 10.55% to 12.55% for 1994 (Paragraph 18). The Staff's Report reflects a calculation for intrastate tariffed services' return on equity of 4.11%. This return on equity indicates that the Company's 1994 earnings were not in excess of those specified by the Modified Plan.

¹ The Company filed its 1994 AIF pursuant to the Commission's Final Order of December 17, 1993, in Case No. PUC920029, which established the Modified Plan for Alternative Regulation of Virginia Local Exchange Telephone Companies.

Pursuant to the Company's Motion to Declare Rates Not Subject To Refund And To Close Proceeding ("Motion"), the Company and the Staff of the Commission ("Staff") agreed that this proceeding should be closed and the rates for 1994 made permanent without the requirement of refunds; the Company and the Staff further agreed that in doing so, the Company should not be deemed to have conceded or waived its rights to continue to object to decisions made by the Commission in the Company's final rate order issued in Case No. PUC950019.²

Proof of publication of the prescribed notice was filed September 15, 1999. In the absence of any requests for hearing and pursuant to the agreement between the Company and Staff, the Commission finds that Staff's Report filed on December 9, 1998, should be received into the record as evidence without the necessity of a hearing.

The only issue before the Commission is to determine whether Southwest earned in excess of its authorized range of return on equity for Potentially Competitive, Discretionary, and Basic services during 1994. The authorized range of return on equity prescribed by Paragraph 18 of the Modified Plan was 10.55% to 12.55%. The Staff's Report reflects an intrastate

² The return on equity determined in the Staff's Report of December 9, 1998, reflects the Commission's finding regarding jurisdictional separations, which is among the issues now under appeal to the Virginia Supreme Court in Record No. 991964. Other issues under appeal have no effect on the return on equity in the Staff's Report.

tariffed services' return on equity of 4.11%. Since that return is below the permitted range of return, the Commission finds that during 1994, Southwest earned less than the authorized maximum return on equity. Accordingly,

IT IS ORDERED:

(1) Southwest's tariffed rates for 1994 are hereby made permanent for that year only. Such rates are no longer subject to refund as provided in Paragraph 20 of its Modified Plan.

(2) There being nothing further to come before the Commission, this matter is dismissed and the record developed herein shall be placed in the file for ended causes.